ARETE WEALTH ADVISORS, LLC

Form ADV Part 2A – Disclosure Brochure

Arete Wealth Advisors, LLC

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As of August 15, 2024

This brochure provides information about the qualifications and business practices of Arete Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 940- 3684. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about us is available at the SEC's website www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 145488.

Item 2 – Material Changes

Item 9: Updated to reflect that the firm has reportable disciplinary events.

Item 10: Updated to remove offices that are no longer affiliated with the firm.

Item 14: Updated to reflect compensation Arete receives and/or pays in connection with its endorser agreement with Master Works.

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Item 3 – Table of Contents

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Item 4 – Advisory Business

A. Description of Arete Wealth Advisors, LLC

Arete Wealth Advisors, LLC, an Illinois limited liability company ("Arete," "we" or "the firm"), is an investment advisor registered with the United States Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"). Please note that registration with the SEC does not imply a certain level of skill or training. Arete is wholly owned by a parent holding company, Arete Wealth, Inc. The parent holding company has another wholly owned subsidiary, Arete Wealth Management, LLC that is a broker-dealer. Some of Arete's investment advisor representatives may also be registered as registered representatives with Arete Wealth Management, LLC. Therefore, Arete's investment advisor representatives may be able to offer clients both investment advisory and brokerage service. Clients should speak to their Arete representatives to understand the different types of services available through Arete and its associated companies.

This brochure describes Arete and explains the types of advisory services that we offer, including investment consulting, discretionary advisory, pre-retirement and financial planning services (together the "advisory services").

Arete has offered professional asset management services since it was formed in 2007 and been registered with the SEC since January 2009. We provide investment advisory services to individuals, pension and profit-sharing plans, trusts, estates and charitable organizations and other corporate and business organizations (the "Clients"). Item 7 of this brochure contains more information regarding the types of Clients to which we provide advisory services.

B. Advisory Services Offered by Arete

<u>Discretionary Advisory</u>

Arete furnishes investment advice predominantly through discretionary advisory services. Discretionary advisory services begin with a detailed financial assessment of the Client, including risk tolerances and investment objectives. The investment advisory representative (an "Advisor") will use information provided by the Client to identify appropriate investment goals , which will be reflected on Arete's Investment Advisory Contract and Investment Consulting Services and Financial Services Planning Agreement ("IAC"). Before the Client executes the IAC, the Advisor will carefully review it with the Client.

Through the IAC, the Client can grant his or her Arete Advisor investment discretion to manage the Client's assets in accordance with the IAC. The Arete Advisor will then create a portfolio using a mix of investments that can include stocks, bonds, mutual funds (stock funds, bond funds and other asset classes), options, warrants, real estate investment trusts ("REITs"), exchange-traded funds ("ETFs"), alternative investments, and other securities. For more details about investment types please refer to part C below.

The Arete Advisor may also recommend the use of a third-party money manager for independent expertise on asset allocation. More information about third-party money managers can be found in Part C below.

One of Arete's Advisors has developed various asset allocation models, all of which are strictly rule-based allocation models and are subject to strict parameters with respect to trading. These models are called global dynamic asset allocation ("GDAA"), value + quality + momentum + timing ("VQMT"), and the quality large value with income ("QVLI"). Each of these models focuses on different product types. For example, GDAA focuses on Exchange Traded Funds and Exchange Traded Notes (collectively referred to hereinafter as "ETFs"), while VQMT focuses on small company stocks and QVLI focuses on larger company stocks. All of the component stocks within the allocation models must satisfy the criteria used by the models. The component securities are then allocated in accordance with the rules and parameters set forth in the disclosure documents pertaining to the respective model. These disclosure documents are distributed to interested investors prior to their investments.

Although the models have strict parameters, this trading is still considered "discretionary." If you are interested in one of these asset allocation models, please ask your Advisor about the particular asset allocation model or models that you are interested in and review the disclosures provided. More information about these models is set forth in certain disclosure documents for the models, which identify the specific rules and parameters for the various allocation models.

In all of the discretionary advisory services, once the portfolio is created and the advisory plan implemented, the Arete Advisor will continuously monitor the portfolio and adjust the portfolio as necessary.

Investment Consulting

Arete Advisors also provide investment advice through Investment Consulting, although Clients use this feature less frequently than the others. Investment Consulting begins with a detailed financial assessment of the Client in order to identify the Client's financial objectives and goals for the engagement, including risk tolerances and investment objectives. The Advisor will use information provided by the Client to identify one or more investment goals. The Advisor will then provide investment recommendations to the Client based upon the identified goals, either in terms of the asset class or specific type of security. The Advisor will consult with and advise the Client regarding the investments recommended by the Advisor.

Investment Consulting Clients do not grant Arete any investment discretion or trading authority. Investment Consulting is provided through the IAC, a Non-Discretionary Advisory Agreement, or a Consulting Agreement. The Non-Discretionary Advisory Agreement is used when a Client places assets with one of Arete's custodians. The Consulting Agreement is used when the assets are maintained outside of Arete's custodians but may also be used for the purpose of non-discretionary advisory services. For more information on Investment Consulting please refer to the applicable agreement.

Financial Planning

Arete offers financial planning services to Clients on a either comprehensive or limited focus basis. Financial plans may encompass all or some of the following areas of financial concern to the Client:

- Investments;
- Asset allocation review and recommendations;
- Cash management;
- Insurance planning/Risk management;
- Estate planning goals;
- Retirement planning;
- Education planning;
- Wealth transfer between generations and to charitable organizations;
- Family office services; and
- Private asset management.

Arete Advisors obtain the necessary financial information through a personal interview with the Client. This interview will address topics such as financial status, future goals, and attitude towards risk. The Advisor will also review related documents and data supplied by the Client. A written financial plan may be prepared and provided. The implementation of financial plan recommendations is entirely at the discretion of the Client. Financial plans are not limited in any way to products or services provided by any particular company. However, in general, only products and services that Arete is able to provide will be offered by the Advisors. For more information on products that may be offered, please refer to Part C below.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours.

Under this special rule's provisions, we must:

Meet a professional standard of care when making investment recommendations (give prudent advice);
Never put our financial interests ahead of yours when making recommendations (give loyal advice);
Avoid misleading statements about conflicts of interest, fees, and investments;
Follow policies and procedures designed to ensure that we give advice that is in your best interest;
Charge no more than is reasonable for our services; and
Give you basic information about conflicts of interest.

C. Personalized Service and Product Types

We individualize our services depending on the nature and type of Client (i.e. individual, pension plan, charitable organization or other). Clients can place reasonable restrictions on the types of investments that will be made on their behalf. Arete reserves the right to not accept, or to terminate, an account if Arete believes the restrictions imposed are not reasonable or prohibit effective management of the account. Arete is not obligated to implement other investment selections if it believes such investments are inconsistent with a Client's risk tolerance or Arete's management style.

Charitable Organizations, Trusts, and Estates

Generally, charitable, trust and estate Clients provide their Advisors with an investment policy to follow, which is reviewed regularly. The Arete Advisor will invest the assets in accordance with the investment policy.

Retirement Plan Services

We offer Non-Discretionary Investment Advisory Services, Discretionary Investment Management Services, and Administrative Services (each a form of "Retirement Plan Services") that are designed to assist plan sponsors ("Sponsor(s)") of employee benefit plans ("Plan(s)"). When providing any Non-Discretionary Investment Advisory Service, we will solely be making investment recommendations to the Sponsor and the Sponsor retains full discretionary authority or control over assets of the Plan. We agree to perform any Non-Discretionary Investment Advisory Service to the Plan, as a fiduciary, as defined in ERISA Section 3(21)(A)(ii) and will act in good faith and with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances.

When providing any Discretionary Investment Management Service, we will be exercising discretionary authority or control over assets of the Plan. We will have full power and authority to select, monitor, remove and replace the investment options offered under the Plan; provided, however, we will not have any power or authority to direct the investment of Plan assets to any investment. We agree to perform any Discretionary Investment Management Service to the Plan as a fiduciary, as defined in ERISA Section 3(21)(A)(i), and will act in good faith and with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. In some cases, we may be performing Discretionary Investment Management Services to the Plan as a fiduciary under ERISA Section 3(38) and will act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. In those cases, this discretionary authority is specifically granted to us by the Sponsor, as specified in the services agreement.

Arete may provide administrative services to the Sponsor such as plan governance guidance, vendor management, service provider selection and review, and investment education and other Plan participant non- fiduciary education. We perform all administrative services solely in a capacity that would not be considered a fiduciary under ERISA or any other applicable law.

Individual Clients

Our relationships with our Clients are in-depth and personalized. We tailor our advisory services to meet each Client's particular needs. The Arete Advisor will work directly with the Client and any other of the Client's advisors to build and protect wealth over the long term.

Arete Advisors ask each Client to complete an investor questionnaire (the IAC) to assist us in developing investment objectives that reflect each Client's unique goals, liquidity requirements, risk-tolerance and time horizon. Advisors review the IAC periodically (at least annually) to be sure the objectives continue to meet the Client's particular needs and goals. Risk tolerance levels will be documented in the IAC.

In this process, Advisors also assist the Client in developing appropriate allocation objectives. However, market volatility can sometimes change asset values. When this happens, the allocation of the assets may become inconsistent with the Client's desired allocation objective. If appropriate, the Advisor may rebalance the portfolio to align with the allocation objectives. Rebalancing the portfolio can lead to additional trading costs.

One exception to this are the GDAA, VQMT and the QLVI allocation models described earlier. These models re-evaluate their allocations at strict pre-determined intervals, typically monthly, and are based entirely on quantitative and qualitative rules governing security selection and allocation percentages. Execution costs are mitigated using methods described under Fees and Compensation later in this brochure.

Third-Party Money Manager Relationships

Arete Advisors may recommend that all or a portion of the Client's assets in an account be managed by a third-party money manager. If that is the case, the Advisor will ask for authorization to use discretion in selecting or changing a strategy with the third-party money manager, or changing the third-party money manager entirely, without prior notice. In most cases, the client pays the third-party money manager an investment management fee and the third-party money manager pays Arete a "solicitors' fee" for identifying qualified Clients to the third-party money manager.

In some cases, the third-party money manager is a sub-advisor and the fees payable to Arete are shared with the sub- advisor. With respect to sub-advisors, Arete may separately itemize the combined fee on Client statements for greater transparency, showing the third-party money managers' fee as well as the net portion payable to Arete.

Solicitor Services for Third-Party Money Managers

Arete also acts as a solicitor for various third-party money manager investment advisers, who are registered investment advisers with the SEC and who have entered into an agreement with Arete ("Solicitors' Agreement"). Because Arete is dually registered as both a broker-dealer and a registered investment adviser, Arete and its Advisers may recommend, based on a Client's individual circumstances, suitability, and needs (as discovered during the Client's initial meeting and per the IAC) that the Client engage a third-party money manager to act as the Client's registered investment adviser to manage the Client's portfolio. Arete's Adviser will disclose to the Client that Arete acts as a solicitor for these third-party money managers and will derive a solicitor's fee (sometimes referred to as a "referral fee") for referring the Client to the third-party money manager. If the Client agrees to the use of a third- party money manager, Arete's Adviser will determine which third-party money manger's portfolio management style is appropriate and suitable for the Client. Factors considered in making this determination include account size, risk tolerance, the opinion of the Client and the investment philosophy of the third-party money manager. Among other things, the Arete Adviser will discuss the benefits of using the third-party money manager (utilizing the third-party money manager's brochure, Form ADV and other pertinent documents) and provide the Client with paperwork that shows the various strategies and different programs used by the third-party money managers, along with the fees charged by the third-party money manager. If the Client is interested in the use of the third-party money manager to assist the Client with the investments in the Client's portfolio, the Arete Adviser will ask the Client to enter into an investment advisory agreement with the third-party money manager and disclose that, pursuant to the Solicitor's Agreement that Arete has with the third-party money manager, Arete and its Adviser will receive as a referral fee a portion of the total advisory fee paid to the third-party money manager by the Client. Pursuant to the Solicitor's Agreement and disclosure, the Arete Adviser will also provide the Clients with a copy of the third-party money manager's Form ADV Part 2A and other documents mandated by the Investment Advisers Act of 1940, as amended. In addition, the Arete Adviser will provide certain disclosures regarding the engagement of a third-party money manager as the Registered Investment Adviser for the account. These disclosures include, but are not limited to: (i) the identity of the third- party money manager and the fact that the Client must enter into the third-party money manager's investment advisory agreement; (ii) Arete is acting as a solicitor and will be paid a referral fee for recommending the Client to the third-party money manager; (iii) as solicitor, Arete is obligated to provide the Client with certain disclosures pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended; (iv) as solicitor, Arete will NOT be acting as the Registered Investment Adviser for these accounts and, as such, Arete will render no investment advice with respect to the investments within the portfolio that will be managed by the third-party money manager; (v) certain fees associated with the third-party money management account, which may include investment account fees, annuity fees and/or third-party money management fees, but exclude other fees such as all fees, charges and commissions associated with a brokerage account (which may be payable to Arete as the broker-dealer executing those transactions at the direction of the third-party money manager or the Client), all fees and charges associated with the purchase or sale of mutual funds shares as disclosed in the prospectus (including, but not limited to, 12b-1 fees, contingent deferred sales charges, and record keeping fees), custodian fees and any other fees deemed relevant;(vi) how the fees are to be paid to the third-party money manager and the consequences of certain actions with respect to direct payment from the account; and (vii) with respect to variable annuity accounts, certain issuers may also have asset allocation models available for no additional fees. Clients should refer to the third-party money manager's disclosure document for a full description of the services offered by the respective third-party money manager.

Pursuant to the terms of the Solicitor's Agreement, Arete and its Adviser will (i) assist the Client in determining the initial and ongoing suitability for the third-party money manager's investment portfolio; (ii) forward notices, directions, and instructions from the Client to the third-party money manager and (iii) describe the third-party money manager's services but will render no investment advice on behalf of the third-party money manager. At the time of the referral to the third-party money manager, Arete will ensure that all federal and/or state requirements governing solicitation activities of its registered Advisers are met.

As disclosed in Items 5 and 10 below, Arete and its Advisers only recommend third-party money managers that pay Arete a referral fee under a Solicitor's Agreement. Accordingly, there is a financial incentive for Arete and its Advisers to recommend certain third-party money managers over others who do not pay Arete a referral fee. Similarly, there may be other third-party money managers and/or programs that could provide similar services to the Clients at a lower cost. Arete and its Adviser will carefully discuss this with Clients so that Clients can make an informed decision on whether or not to engage the third-party money manager as a registered investment adviser. Accordingly, the Client should review the fees associated with the use of a third-party money manager, in light of the services offered, to determine whether to utilize the services of the third-party money manager.

Third-Party Money Managers Acting as Sub-Advisers

Arete may engage other registered investment advisers to assist it with advisory services to its clients. In this case, Arete will enter into a sub-advisory agreement with these third-party money managers. Unlike the arrangement under the Solicitor's Agreement, Arete will be acting as the Registered Investment Adviser and the Client will be paying the combined investment advisory fees to Arete. Arete will then use the payment of the combined fee to pay its sub-advisor. In some cases, for greater transparency, this combined fee may be separately itemized on Client's statements. Advisors may offer Client access to the Telos Platform. Telos gives Client access to model portfolios of a wide variety of third-party investment managers as well as a portal through which to view and consolidate outside accounts, lending, and directly held investments. Arete and its Advisors may have a financial incentive to direct Client to the third-party model portfolios available on Telos rather than to strategies offered by other third-party managers. Fees charged for access to the third-party managed strategies on Telos or other platforms may be higher than those charged by the same third-party managers elsewhere.

Product Types

Subject to the Client's IAC, the Advisor may invest and reinvest Client's assets in a variety of securities and other investments. In addition, Arete Advisors may use these investment options in different variations and levels to meet the specific need of the individual Client. These securities and other investments may include, among other securities or other investments permitted under Client investment guidelines:

- Equity securities;
- Exchange-listed securities;
- Warrants;
- Corporate debt securities (other than commercial paper);
- Certificates of deposit;
- Municipal securities;
- Investment company securities;
- Variable life insurance;
- Variable annuities;
- Mutual fund shares;
- United States government securities;
- Options contracts;
- Exchange-traded funds ("ETFs");
- Real estate investment trusts ("REITs");
- Limited partnerships;
- Hedge funds;
- Private equity;
- Cryptocurrency funds;
- Interests in partnerships investing in:
  - Real estate
  - Oil and gas.

Individuals associated with Arete, either as an Advisor or otherwise, may have an interest in some of these investments. Please refer to Section F below and Item 10 below for further information.

Some of the investments approved for sale by Arete Advisors require considerable time and resources for proper review and investigation. If Arete approves an investment for sale, Arete may request reimbursement from the investment sponsor for the time and resources required to evaluate the investment. Please refer to Item 14 below for further information.

D. Wrap Fee Program

Wrap fee programs combine investment advisory service charges and some transaction charges and third-party money manager fees (if applicable) in a single asset-based fee. Arete participates in Charles Schwab Institutional's wrap fee program. Please note that the wrap fee accounts may charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions).

Wrap accounts held at Charles Schwab Institutional enable Arete to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Furthermore, Charles Schwab Institutional's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Charles Schwab Institutional may be higher or lower than those charged by other broker-dealers.

Arete receives a portion of the wrap fee as compensation for the investment advice provided by our Advisors and for administering the wrap fee program.

For further information, please ask your Advisor for a copy of the Wrap Fee Program Brochure.

E. Assets Under Management

As of December 31, 2023, Arete had approximately $2,672,456,687 in total assets under management, the vast majority of which is managed on a discretionary basis.

F. Important Information Regarding Conflicts of Interest

Examples of actual or potential conflicts of interest arising from Arete's advisory services may include, but are not limited to:

- Conflicts related to allocating time and resources between client accounts, allocation of brokerage commissions and investment opportunities generally;
- Recommendations for investment in investment vehicles in which some of our related persons have an interest. We have an incentive to recommend these products. Please refer to Item 10 below for further information;

Actual or potential conflicts of interest generally can be addressed in a number of ways, including the following:

- Prohibition – Arete prohibits the conduct that gives rise to the conflict of interest (e.g., insider trading is prohibited under our Code of Ethics);
- Disgorgement – Arete gives a received benefit to a Client (e.g., covering a Client's transfer fee on transition to an Arete custodian);
- Disclosure/Consent – Arete discloses the conflict of interest to the Clients (e.g., Arete discloses whenever an Advisor recommends an investment in which any of our related persons have an economic interest and obtains the consent of the Client prior to the Client's investment); or
- Setting a De Minimis Threshold – Arete sets a threshold for a benefit that is considered too small to influence conduct and is therefore permitted. These thresholds mirror brokerage industry standards.

Arete has adopted a Code of Ethics as required under SEC rules (Please refer to Item 11 below for further information on our Code of Ethics). Arete also has compliance policies and procedures in place to mitigate and address the above-referenced conflicts of interest. Arete believes such policies and procedures are reasonably designed to treat Clients fairly and seek to prevent Clients from being systematically favored or disadvantaged. Our compliance policies provide for various auditing and testing of our policies and procedures and are reviewed no less frequently than annually as required by SEC rules. Clients should refer to other sections of this Brochure noted above for more specific information on conflicts of interest and how they are addressed.

Item 5 – Fees and Compensation

Depending upon the type of advisory service to be provided, Clients generally have a choice regarding the manner in which fees will be calculated for such services. Fees can be billed either forward or in arrears. Options for calculating fees include the following:

- Percentage of assets under management;
- Hourly charges;
- Flat fees; or
- Some combination of the above.

Generally speaking, fees are negotiable from Client to Client, and are tailored to the specific types of services that Arete provides to that Client.

A. Amount of Our Fees

Calculation Based on Assets under Management:

This is the most common way Arete calculates fees. This is a calculation based on a percentage of assets managed for the Client. As noted above, fees may be negotiated and are specific to the Client's arrangement with Arete. Arete's standard fee schedule for both individual and non-individual Clients is the following:

ASSETS UNDER MANAGEMENT	MAXIMUM ANNUAL FEE
$0* - $249,000	3.00%
$250,000 - $749,999	2.50%
$750,000 - $1,499,999	2.00%
$1,500,000 -$4,999,999	1.75%
$5,000,000 and over	1.50%

*We generally require a $50,000 initial minimum account balance which may be waived based upon the individual needs and complexity of the particular Client situation. The final fee schedule will be attached to the IAC.

Financial Planning

Arete Advisors can charge either an hourly fee or a flat fixed fee for Financial Planning services (as defined above). Hourly fees and fixed fees for these services are negotiated between the Advisor and each Client. For example, payment may be at the conclusion of a specific service or project or upon receipt of periodic invoicing (i.e. monthly or quarterly). The final fee structure will be disclosed in the IAC and/or Financial Planning Agreement.

B. Payment of Fees

By signing the IAC, Client directs the custodian to pay the advisory fee as instructed by Arete or any other third-party manager on a scheduled basis without any additional prior notice to Client. By signing the Financial Planning Agreement, Client directs payment to be rendered to Arete from a custodian, bank account, or via check as agreed upon by Arete Advisor and Client. All account assets, transactions, and advisory fees will be shown on the monthly or quarterly statements provided by the custodian.

Arete does not have a refund policy. Client requests for refund of fees are handled on a case-by-case basis. The Client may terminate the account within five (5) days written notice. There is no fee or penalty should the Client choose to terminate the account within five (5) days of account opening.

Solicitors Fee

Clients using a third-party money manager are assessed an advisory fee by the third-party money manager and are not assessed a fee by Arete. This fee is generally set by the third-party money manager and not Arete but is fully disclosed by Arete prior to the Client's agreement to utilize such services. The fee charged by the third-party money manager is contained in the agreement for registered investment advisory services between the Client and the third-party money manager and is in addition to any other fees charged by the third-party money manager and any recommended investments. For example, the Client may be assessed: all fees, charges and commissions associated with a brokerage account (which may be payable to Arete as the broker-dealer entering those transactions at the direction of the third- party money manager or the Client); all fees and charges associated with the purchase or sale of mutual funds shares as disclosed in the prospectus (including, but not limited to, 12b-1 fees, contingent deferred sales charges and record keeping fees); custodian fees and any other fees deemed relevant; fees assessed by the variable annuity company; or fees of any other third-party service Pursuant to the Solicitor's Agreement that Arete has with these various third-party money managers that it recommends to suitable Clients, Arete and its Advisor receive a fee (which is generally a percentage of the total advisory fee paid to the third-party money manager by the Client) from the third- party money manager. This fee is fully disclosed to the Client before entering into the investment advisory agreement with the third-party money manager and is contained in the solicitor disclosure document provided to the Client. Moreover, the Client has to confirm with Arete the Client's receipt of certain disclosures, which includes disclosure regarding the fees of the third-party money manager.

Although Arete and its Advisors will recommend the services of a specific third-party money manager as suitable for the Client, it is possible that the compensation received, directly or indirectly, by Arete and its Advisor for recommending a third-party money manager may be more than the compensation Arete or its Advisor would receive if they recommended a different third-party money manager. Consequently, Arete and its Advisors may have a financial incentive to recommend a particular third- party money manager over other programs or services that might meet the Client's needs at a lower cost (such as, mutual funds, ETFs, or fee plus commission arrangements). Similarly, Arete only recommends third-party money managers with which Arete has a Solicitor's Agreement. Consequently, there may be other third- party money managers that may charge less for its service than those that Arete or its Advisors recommend. Thus, Arete and its Advisors have a financial incentive to recommend those investment advisors with a Solicitor's Agreement in place over other investment advisors that do not have a Solicitor's Agreement with Arete who may charge less for their services. Accordingly, the recommendation of specific investment advisors is discussed carefully with Client to ensure Client's specific knowledge and to obtain Client's consent of the fees involved, and the potential conflicts, with these types of recommendations.

<u>Sub-Advisors</u>

Sub-advisory or third-party money management fees will be paid by Arete from the fees collected from Clients. This fee is calculated by assets under management unless mutually agreed otherwise by Arete and the Client.

Wrap Fee Programs:

As described in Item 4D above, wrap fee programs generally combine investment advisory services charges, some transaction charges, and a third-party money manager fee (if applicable) in a single asset based fee. Clients participating in the Charles Schwab Institutional wrap fee program may be charged brokerage commissions and transaction fees for effecting certain securities transactions. Wrap accounts held at Charles Schwab Institutional enable Clients to obtain many no-load mutual funds without transaction charges while other no-load funds may be obtained at nominal transaction charges. While Charles Schwab Institutional's commissions are generally considered discounted from customary retail commission rates, the commissions and transaction fees charged by Charles Schwab may be higher or lower than those charged by other custodians and broker- dealers.

C. Ticket Charges

Clients are generally charged a per transaction ticket charge. The amount of the charge depends on the particular fee the Arete Advisor has negotiated with the custodian holding the Client's assets. These fees result in no income to Arete or the Advisor and are a direct flow through of charges that the custodian uses to offset the costs of performance reporting, general trade handling costs, and confirmation costs.

One exception to this is to accommodate very small accounts. For these small accounts, Arete also offers a more limited model with no asset-based execution fee. These models use exchange-traded funds (ETFs) specified by the custodian that incur no ticket charges if the ETFs are held for 30 days or more.

Another exception is with respect to the GDAA, VQMT, and QVLI asset allocation models discussed earlier. As these models utilize a rules-based asset allocation which may necessitate frequent portfolio changes, these accounts use a fixed annual percentage-of-assets execution fee, assessed quarterly in arrears, regardless of the number of executions to mitigate the impact on execution costs. That execution fee is currently 0.15% annually (with a $100 annual per account minimum), based on the average ending account balance of the three months in the quarter.

D. Other Fees

Clients may pay other expenses in addition to the fees paid to Arete. For example, Clients may pay costs such as transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and costs charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by Arete. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus and/or financial filings. Clients should review the fees charged by a particular fund and the fees charged by Arete to understand the total amount of fees paid in mutual funds.

Mutual Fund Fees

The fees Clients pay Arete for advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs (the "funds") to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A Client could invest in a mutual fund directly, without Arete's services. In that case, the Client would not receive the services provided by Arete which are designed to assist the Client in determining which mutual fund or funds are most appropriate for a particular client based upon their specific financial objectives. Clients should review both the fees charged by the funds and Arete's fees to fully understand the total amount of fees being charged for Arete advisory services.

With respect to unregistered private funds recommended by Arete and its Advisors, the applicable fees and expenses are set forth in the relevant offering documents, including the Private Placement Memorandum. In connection with these investments, Arete and its Advisors may receive performance- based compensation or "carried interest" ranging from 5% to 20% of the amount payable to the General Partner of the unregistered private fund. The performance-based compensation or carried interest may vary across the private funds and may vary within funds in relation to types of investments or certain clients. In addition, certain private funds offer a preferred return threshold prior to which no carried interest is paid to Arete or its Advisors. Investors should refer to the Private Placement Memorandum of the relevant private fund for further information with respect to fees.

E. Additional Compensation

Arete Wealth Management, LLC ("Arete Wealth"), a broker-dealer affiliated with Arete, may act as an underwriter for certain investment funds (the "Funds") and assist in the distribution and sale of shares of those Funds, for which it is compensated by the registered investment adviser to the Funds (the "Fund's RIA"). In connection with this role, Arete Wealth will introduce the Funds to its representatives, some of whom are Arete Advisors, to offer and sell shares in the Funds to their clients. Arete Wealth will receive compensation based upon the total dollar value of the Fund's shares in the accounts of Arete Clients or Arete Wealth clients from the Fund's RIA. This compensation is paid by the Fund's RIA from the marketing budget of the Funds. Although such payments do not directly affect the net asset value of the Funds, such payments are part of the expenses of the Funds. While Arete Wealth will be compensated for such investments, Arete and Arete Advisors will not be directly compensated for such investments. Instead, Arete Wealth will provide certain support products and services (as set forth in Item 12 B, below) to Arete and Arete Advisors. Accordingly, Arete and Arete Advisors have an incentive to select or recommend certain investments that are advised by Fund's RIA, based on its interest in receiving the support products or services. While as a fiduciary, Arete will act in our Clients' best interests, Arete's recommendation that Clients invest in Funds managed by Funds RIA may be based in part on the benefits to Arete of the availability of some of the foregoing products and services.

As stated above, some Arete Advisors are also registered representatives of Arete Wealth, a broker-dealer affiliated with Arete, and receive compensation for some of the services provided in connection with the advisory services.

Arete Advisors may also sell insurance through the Arete Insurance Agency, LLC, an insurance agency affiliated with Arete. Arete Advisors may receive an economic benefit in the form of commissions for insurance transactions conducted through this insurance agency. Clients are not obligated to purchase insurance through Arete Insurance Agency, LLC.

Arete Advisors may receive additional individual benefits upon joining Arete. These benefits may include significant loans with forgivable terms and/or ownership interests in Arete with the potential for significant appreciation. The amount of benefits is determined in negotiations between Arete and the Arete Advisor prior to association and generally is in relation to the amount of business expected to transfer to Arete.

Item 6 – Performance-Based Fees and Side-By-Side Management

Arete Advisors may recommend qualified customers who meet minimum financial standards set forth by Arete's third-party asset manager, Dunham & Associates Investment Counsel ("Dunham") for Dunham's performance-based strategies. Qualified customers using the Dunham performance-based strategies are not charged an ongoing management fee, and the customers are not assessed a fee if the account with Dunham loses money. A fee is only charged if the account goes up in value. For more details on how this program works and how the fees are determined, please refer to Dunham's ADV Part II. You can click on the link below to access those documents.
Dunham Form ADV Part 2(A) and Wrap Fee Program Brochure

Item 7 – Types of Clients

Arete generally provides advisory services to:

- Individuals, including high net worth and ultra high net worth;
- Pension and Profit-Sharing Plans;
- Trusts, Estates and charitable organizations; and
- Other corporate and business entities.

Account Requirements

Generally, we require a $50,000 initial minimum account balance. We may waive the requirement based upon the Client's needs and complexity of account. Arete's investment management services may not be beneficial to non-accredited investors, as the relatively higher advisory fees and trading and transaction costs may have a negative impact on performance. See Item 5 of this Brochure for more information regarding advisory fees and the other fees and expenses Clients may pay in connection with our advisory services.

General Note Regarding Managed Account Platforms and Wrap Programs

Access to certain third-party money managers, platforms, and programs may be limited to certain types of accounts and may be subject to account minimums, which will vary and may be negotiable depending upon the third-party money managers, platforms, and programs selected. Such minimums will be disclosed through separate disclosure documents.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis

Arete Advisors may generally use any, some, all or none of the following methods of analysis in formulating our investment advice and/or managing client assets:

Charting. In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Quantitative Analysis. We use a technique that tries to understand the behavior of a certain security or a certain sector by using complex mathematical and statistical modeling. It can be used for performance evaluation, valuation of an instrument or to attempt market event predictions. The risk of quantitative analysis is that it does not factor in all the variables. This technique uses what is believed to be appropriate formulas and processes to make trading decisions. There is no way to guarantee that this thinking is correct.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security price or earnings per share, and predict changes to that data. A risk in using cyclical analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predict changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals. Another exception are models like the VQMT approach mentioned earlier. While they may invest in only one broad asset class (all stocks in the case of VQMT), they diversify over enough different securities to largely mitigate any individual security risk and instead attempt to capture desirable attributes (such as being undervalued, and/or of higher than average quality, etc.) that those securities are thought to share.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Third-Party Money Manager Analysis. We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers who have entered into a Solicitors' Agreement with us in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we advise our clients that the third-party money manager may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we recommend, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that the data may be inaccurate, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Other methods may be utilized in vetting potential investments for Clients, including, but not limited to, conducting operational due diligence on third-party money managers and unaffiliated pooled investment vehicles.

INVESTMENT STRATEGIES

We use the following strategies in managing Client accounts, provided that such strategies are appropriate to the needs of the Client and consistent with the Client's investment objectives, risk tolerance, and time horizons, among other considerations:

- *Long-term purchases.* We purchase securities with the idea of holding them in the Client's account for a year or longer. Typically, we employ this strategy when (i) we believe the securities to be currently undervalued, and/or (ii) we want exposure to a particular asset class over time, regardless of the current projection for this class or (iii) the yield (income) of the investment is attractive and consistent with the investment objectives of our Client. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a Client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. Finally, a security may at any time and without prior notice decrease/suspend/terminate its payment of dividends, coupon payments, or return on capital, thereby decreasing the yield of stated investment.

- *Short-term purchases.* When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase. A risk inherent in a short-term purchase strategy is that if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

- *Trading.* We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings. An inherent risk in trading of this nature is that if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. Additionally, this type of strategy may fail to realize any/all long term price appreciation due to the high turnover rate of the securities being traded.

- *Short Sales.* We sell securities that are not owned by the Client or sell securities which are consummated by the delivery of borrowed stock. This is often used as a hedge strategy to manage the risks of losing investments or when one believes the market in a specific security is going down. Shorting is normally only for clients with large net worth and liquid assets. The risk in this type of strategy is the loss potential, in theory, has no limit.

- *Margin Transactions.* Using this strategy, the broker-dealer extends credit to its customer in a margin account to assist in the purchase of a security. Purchasing securities on margin can amplify potential returns and losses. As such, purchasing securities on margin may result in losses greater than an advisory's Client's original principal. Clients should carefully review disclosures regarding risks, fees and other considerations appearing in margin account agreements prior to opening a margin account.

Option Writing. We may use options as an investment strategy. Certain standardized options issued by the Options Clearing Corporation are securities, regulated by the SEC. An option is also considered a "derivative" because it derives its value from an underlying asset. The two types of options are calls and puts:

- A call gives the holder (the buyer of the call) the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.

- A put gives the holder (the buyer of the put) the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires. We will use options to speculate on the possibility of a sharp price swing.

We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio. We use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. We use a "spreading strategy," in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Risk of Loss. Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Arete derives the information for the fundamental analysis described above from financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and other sources that will assist in the analysis. As indicated above, certain sources of information are more prevalent in the fundamental analysis for certain methods/strategies. Other investment strategies may be chosen if they meet a Client's particular financial needs, risk profile, and overall investment strategy.

Arete has a due diligence committee tasked with performing and reviewing due diligence on potential investments, third-party money managers and private investments, among other things.

B. Risk of Loss

Securities investments are not guaranteed and Clients may lose money on investments. The Arete Advisor will work to understand the risk tolerance for each Client.

C. Risk of Strategies

Investments in different vehicles can lose money over short or even long periods. Clients should expect the investment's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. Investment performance could be hurt by:

- Stock market risk: the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Sector risk: the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Depending on how the vehicle allocates assets, it may invest all, or substantially all, of its assets in the consumer discretionary sector. The investment's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the consumer discretionary sector could be affected by, among other things, overall economic conditions, interest rates, consumer confidence, and disposable income.
- Non-diversification risk: the chance that the investment's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. An investment is considered non-diversified when it invests a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds.
- Investment style risk: the chance that returns from small- and mid-capitalization stocks (to the extent that the Clients' assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

- Investment Company Risk: by investing in mutual funds, Clients run the risk of not capitalizing on the growth of the overall stock market. If some of the underlying stocks run up in price, mutual funds may not be able to capitalize on the appreciation due to the potential of other underlying stocks not appreciating as much. In addition, the fees associated with investing in mutual funds may be more than if Client were to purchase the underlying shares directly.
- Private Equity Risk: private equity is normally an investment with companies or sectors that are not publicly traded. These investments are normally very illiquid; therefore they are not ideal for clients with frequent cash needs. There is normally no public market for private equity shares, if investors need to sell their shares they may have to do so at a substantial discount. The risk of investing in private equity is a major or complete loss of invested funds depending on the underlying companies. In addition, investors may not see any return on their investment for some time depending on the type of investment; these investments should be seen as a long-term investment.

Item 9 – Disciplinary Information

Arete and its management personnel have reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

A. Registrations and Affiliations

As noted in Item 4, we are owned by Arete Wealth, Inc., in which some of our Advisor have an ownership interest. Arete Wealth, Inc. is also the parent of:

- Arete Wealth Management, LLC, an Illinois limited liability company and a FINRA registered broker dealer. Arete Wealth Management is a member of SIPC and is registered in various states as required;
- Arete Insurance Agency, LLC, an Illinois limited liability company;
- Arete Consulting, LLC, an Illinois limited liability company.

B. Management Personnel

Management personnel of Arete are separately licensed as registered representatives of Arete Wealth Management, LLC, an affiliated broker dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

While we endeavor at all times to put the interests of Clients first as part of our fiduciary duty, Clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

C. Recommendation of Third-Party Investment Advisers

As previously disclosed, we recommend the services of various registered investment advisors to our Clients. In exchange for this recommendation, we receive a referral fee from, or a fee sharing arrangement with, the selected investment advisor. The fee received by us is typically a percentage of the fee charged by that investment advisor to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment advisor by the Client. We do not charge the Client any fees for these referrals. We will only recommend advisors that pay us a referral fee.

We are aware of the special consideration required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosures shall be made and all applicable Federal and State laws will be observed.

Clients should be aware that the receipt of additional compensation by Arete and its management, Advisors, or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. We endeavor, at all times, to put the interest of our Clients first in accordance with our fiduciary duty. We take the following steps to address this conflict:

- We disclose to the Client the existence of all material conflicts of interest, including the potential for us or our Advisors or employees to earn compensation from the referral of Clients to other registered investment advisors;
- We disclose to the Client, in a separate disclosure document, the compensation we receive in exchange for the Client's referral to the selected investment advisor;
- We collect, maintain and document accurate, complete, and relevant Client information, including the Client's financial goals, objectives and risk tolerance;
- We conduct regular reviews of Client accounts and recommendations to third-party investment advisors to check for any irregularities regarding such referrals;
- We educate our Advisors regarding the responsibilities of a fiduciary, including the need to have a reasonable and independent basis for the investment advice provided to the Client.

Note that in the case of asset allocation models developed on a proprietary basis by an Arete Advisor, while there is no referral fee paid to Arete by this Advisor, any sub-advisory fees received by that Advisor as portfolio manager from other Advisors' Clients' are part of that Advisor's overall practice revenue, of which Arete retains a share.

D. Investments Involving Arete Advisors

As previously disclosed, Arete Advisors may recommend investments in which individuals associated with Arete are personally involved. For instance, some products have an Arete Advisor who is the general partner of the investment and who directs the investment theory or business decisions of that investment. Prior to completing such a transaction, the Arete Advisor provides written disclosures regarding the investment and the potential conflict of interest. Thus, the Client is fully aware of the potential conflicts of interests prior to the Client's decision to invest. Moreover, the Client must expressly consent to such investment.

Clients should be aware that the receipt of additional compensation by Arete and its managers, Advisors, or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. We endeavor, at all times, to put the interest of our Clients first. We take the following steps to address this conflict:

- We disclose to Clients the existence of all material conflicts of interest, including the potential for us, our Advisors, or our employees to earn compensation from the referral of clients to other registered investment advisors;
- We disclose to the Client, in a separate disclosure document, the compensation we receive in exchange for referring the Client to the selected investment advisor;
- We obtain the Client's consent before executing such transactions;
- We collect, maintain, and document accurate, complete, and relevant Client information, including the Client's financial goals, objectives and risk tolerance;
- We conduct regular reviews of Client accounts and transaction activity to check for any irregularities involving investments in which individuals associated with Arete are personally involved;
- We educate our Advisors regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to the Client.

E. RIA Co-Brand - Business Entities of Investment Advisor Representatives

Certain Advisors provide investment advisory services as Arete Representatives but have their own legal entities whose business names and logos appear on marketing materials approved by Arete, or Client statements issued by the custodian. The Client should understand that these businesses are outside business activities and legal entities of the Advisor and not of Arete nor the custodian. These DBAs offer advisory services through Arete, but are also their own legal entities which provide other types of financial, legal, accounting, administrative or insurance services. Arete has such arrangements with the following Advisors:

- Alternative Investment Specialists, LLC: Jason Knapp
- Arno Wealth Management, LLC: William Borleis, Logan Cox, Vince Nelson, James Sarandis
- Caliber Financial Partners: Patrick Healey
- Creative Health Capital, LLC: Daniel Brown
- Conner Financial: Paul Conner
- Cura Wealth Partners: F. Max Kort, Nandan Shah
- Dupre Carrier Godchaux Financial Services: J. Dain Duplechain
- Financial Resource Management: Jonathan Fratesi, Robert Fratesi, Lee Greene, Kevin Johnston
- Fincadia Capital Partners: Robert Abramowitz, Marlin Ames, Isaiah Aponte, Michael Bird, Michael Black, Michael Blueweiss, Kenneth Bonal, Christopher Bond, John Burnham, Scott Cantor, Ira Chernick, Mark Cohen, Matthew Colesworthy, Ronan Cox, James Culp, Michael D'Andrea, Joseph Gileno, Stanley Goldring, Adam Gonzalez, Chase Grosse, Damany Henry, David Hua, Clinton Jacques, Douglas Johnson, Jeb Kirkpatrick, Dianne Larson, Matthew Larson, David Lynn, Peter Marshall, Steve Mogul, Leslie Moise, Brandon Murphy, Tsewang Nyendak, Christopher Ortiz, Edward Patrick, Derek Pethel, Ronald Rothchild, Mark Schrader, Abhishek Sheth, Richard Spatola, M Stack, Sean Sullivan, Michael Tretola
- Freedom Financial Wealth and Tax, LLC: Chris Fehr
- Golub Capital: Karim Antoni, Colton Fergus, James Kelin
- Govic Capital: Mario Govic

- Hill & Hill Financial: Rachel Baker, Morgan Hill
- Insight Wealth Group: Kristen Crouthamel, Todd Doorenbos, Andrew Dorr, Erin Kinman, Andrew Kleis, Benjamin Morrow, Alex Perez
- KRM Financial Services: Heinz Brisske, Kraig Mickelsen, Monica Moose, Robert Sweas
- LeBlanc Financial Alliance: Scott Beaty, Matthew Canter, Kevin LeBlanc, Cameron Natour
- Legacy Financial: Bud Hanley
- Majors Financial: Mary Beth Dardon, Greg Majors
- McKinley Wealth Management, LLC: Joe McKinley, Daniel Southworth
- Narish Financial Services: David Narish, Kelsey Narish
- NTS Bearing: Nilos Sakellariou, Woodrow Willey
- Pathway Financial Management: Joshua Moody
- PFS Wealth Management: Jack Burk, Ben Carlson, Robert Geller
- Pinnacle Financial Wealth Management: Ken New
- Progen Financial Consulting: Tiffany Noto
- Roberts Tax and Retirement Planning: David Roberts
- Second Level Capital: Bradford Webb, Adam Weingartner
- Shades Creek Wealth Advisors: Hamilton Poynor, Ivan Truss
- Silvercap Wealth Management: Brenton Collins, Joshua Cross, Paul Espey, Danielle Vandehaar
- Wealth Solutions 360: Avi Bialo

Item 11 – Code of Ethics

A. Code of Ethics

We have adopted a code of ethics ("Code") that applies to all our supervised persons. Each of them must comply with our Code as a condition to working with us. Our Chief Compliance Officer ("CCO") administers and enforces our Code.

Our Code requires our supervised persons to:

- Comply with applicable federal and state securities laws;
- Conduct themselves with integrity and act ethically in their dealings with the public, Clients and professional associates;
- Fulfill their duty of loyalty by acting solely in our Clients' best interests;
- Strive to provide long-term Client satisfaction;
- Disclose any conflict of interest;
- Adhere to our policies limiting the giving or receiving of gifts and business entertainment;
- Adhere to our policies limiting the giving of political contributions;
- Report any violation of our compliance manual to our CCO as soon as possible; and
- Submit reports of securities beneficially owned by them and their related persons, and submit reports of securities transactions by them and their related persons, subject to certain permitted exceptions.

We prohibit our supervised persons from investing in initial public offerings.

Our Clients, or prospective Clients, may request a copy of our Code by contacting our CCO, UnBo (Bob) Chung, at (312) 940-3684 or the address on the cover page of this Brochure.

B. General Standards of Business Conduct; Insider Trading

The Code was developed to provide general ethical guidelines and specific instructions regarding the duties owed to advisory Clients. All Advisors must act with competence, dignity, integrity, and in an ethical manner, when dealing with Clients, the public, prospects, third-party service providers and fellow Advisors. Advisors must use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, trading, promoting Arete's services, and engaging in other professional activities. All Advisors are expected to adhere to the highest standards with respect to any potential conflicts of interest with Clients. As a fiduciary, Arete must act in its Clients' best interests. In addition, and in compliance with Section 204A of the Advisers Act and Rule 204-1 thereunder, Arete has adopted written policies and procedures in the Code which are designed to detect and prevent the misuse of material, nonpublic information.

Item 12 – Brokerage Practices

For Clients' accounts where Arete provides on-going money management or investment advice with ongoing supervision, Arete will maintain a limited power of authority over Client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities will be explained in detail in connection with Client execution of the IAC.

A. Clearing and Custodial

Arete primarily uses Fidelity Institutional, Axos, Pershing, Interactive Brokers, and Charles Schwab & Co., Inc. for custody of customer assets and execution of customer transactions. We may use our own broker dealer, Arete Wealth Management, to introduce accounts to National Financial Services, the clearing firm of Fidelity Institutional. We may also use Fidelity Institutional Wealth Services ("IWS") as the introducing broker dealer who also clears through National Financial Services. We, subject to our best execution obligations, may trade outside of these custodians but this would be very rare.

A separate arrangement applies to those accounts participating in the GDAA, VQMT and QVLI models. For accounts participating in those models, Charles Schwab Institutional serves as the custodian. Customer transactions within these accounts are executed either through Charles Schwab Institutional or through a third-party agency execution firm such as Wolverine Execution Services. Charles Schwab Institutional and these third-party agency execution firms provide Clients with execution cost and efficiency advantages when portfolio changes are more frequent, as is true with the GDAA, VQMT, and QVLI models.

B. Support Products and Services

Arete Wealth, our affiliated broker-dealer, makes available to Arete and our Advisors other products and services that benefit Arete but may not benefit our Clients' accounts. Some of these other products and services may assist Arete in managing and administering Clients' accounts. These may include software and other technology that provide access to Client account data, facilitation of trade execution (and allocation of aggregated trade orders for multiple Client accounts), providing research pricing information and other market data and assisting with back-office functions, recordkeeping and Client reporting. Many of these services may be used to service all or a substantial number of Arete's accounts. Arete Wealth may also make available to Arete and our Advisors other services intended to help Arete and our Advisors manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Arete Wealth may make available, arrange and/or pay for these types of services rendered to Arete and Arete Advisors by other independent third parties. As such, Arete and our Advisors have an incentive to select or recommend certain investment product sponsors that may fund these payments, including those advised by a Fund's RIA, based on its interest in receiving the research or other products or services, rather than on the Clients' interest in receiving most favorable execution. While as a fiduciary, Arete endeavors to act in our Clients' best interests, Arete's recommendation that Clients invest their assets in investment funds managed by a Fund's RIA may be based in part on the benefit to Arete of the availability of some of the foregoing products and services.

Item 13 – Review of Accounts

Client accounts are monitored and reviewed by our compliance department. Client accounts are typically reviewed annually. Accounts are reviewed by Client's local office manager. Reviews may be triggered by material market, economic or political events or by changes in a Client's financial situation or portfolio.

Clients will receive a monthly report from their custodian that details the Client account performance for the month on assets held by that custodian.

Arete uses Envestnet, Orion and Tamarak to provide various administrative services, including determining the fair market value of assets held in the account at least quarterly and producing performance reporting for our Clients detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

Item 14 – Client Referrals and Other Compensation

A. Economic Benefits Received from Non-Client, Third Parties for Providing Services to Clients.

Arete policies prohibit our Advisors from accepting any form of compensation, including cash, sales awards or other prizes, that violates the Code in conjunction with the advisory services we provide to our Clients.

With respect to certain custodians, Arete uses a default sweep program that automatically purchases, or sweeps, any credit balance in a Client's advisory or retirement account into a bank deposit sweep program which provides FDIC insurance coverage through the participating depository institutions. Arete receives compensation for deposits placed in this default bank deposit sweep program. Accordingly, Arete has a conflict of interest with regard to the default sweep program and has an incentive to establish the bank deposit sweep program as its default program. Even though they do not share in the revenue, Arete Advisors have a conflict of interest in earning revenue for the firm. Arete mitigates this conflict of interest at the firm level by establishing policies to exempt the default cash sweep program from advisory fee billing. Arete mitigates this conflict of interest at the recommendation/point of sale level by not directly sharing any default cash sweep revenue with Client's Advisor; consequently, Client's Advisor has no incentive to recommend the default bank deposit sweep program as they do not receive advisory fees or product compensation on the bank deposit sweep program. Arete mitigates this conflict of interest by providing full disclosure to the client, and by offering other cash sweep vehicles for which Arete does not receive compensation.

With respect to certain clearing firms, Arete receives revenue for transaction fees, annual account fees, and miscellaneous service fees. Accordingly, Arete has a conflict of interest with respect to these fees. Arete mitigates this conflict of interest at the firm level by offering multiple clearing firms and custodians to the Client's Advisor. Arete mitigates this conflict of interest at the recommendation/point of sale level by not directly sharing these fees with Client's Advisor; consequently, Client's Advisor has no incentive to generate revenue from these fees since they do not receive any compensation. Arete mitigates this conflict of interest by providing full disclosure to the client, and by offering other Custodians at which Arete does not receive compensation.

With respect to certain third parties, we share revenue with others with whom we have referral or endorsement agreements, which decreases our compensation. Our advisors who receive these referrals may have an incentive to pay less attention to clients from whom they receive less compensation.

B. Third-Party Managers and Hedge Funds

Arete may have revenue-sharing arrangements with respect to certain third-party managed accounts and hedge funds recommended to Clients.

No separate advisory fee is charged on such assets. However, Arete may receive a percentage of the advisory fees of the hedge funds and managed accounts.

C. Event Sponsorship

Periodically, Arete holds Advisor meetings which may be firm-only or include external attendees. These meetings provide sponsorship opportunities for investment issuers and other third-party providers. Sponsorship fees allow these companies access to our Advisors to discuss ideas, investments or services. The sponsorship fees are applied to expenses of the meeting or future meetings. This could be deemed a conflict, as Arete may refer business to a certain investment issuer due to its attendance and sponsorship. Arete mitigates this conflict by using sponsorship fees to pay expenses of the meeting and not as revenue for the company. Sponsorship fees are not dependent on assets placed with any specific provider, nor the revenue generated by asset placement.

D. Due Diligence Fees

Some of the investments approved for sale by Arete Advisors require considerable time and resources for proper review and investigation. If Arete approves an investment for sale, Arete may request reimbursement from the investment sponsor for the time and resources required to evaluate the investment. Approval for sale is not contingent upon payment of a requested fee. These fees are not dependent on assets placed with any specific investment provider, nor the revenue generated by asset placement.

E. Masterworks Payments

Arete acts as a sub-adviser to the Masterworks Diversified Art Portfolio, LLP (DAP Fund), a Delaware limited partnership that facilitates investments in a portfolio of artwork by artists that have an established track record of public auction sales and historical price appreciation. Masterworks Advisers, LLC, the investment adviser to the DAP Fund, pays Arete a sub advisory fee of 25 basis points for its services.

Item 15 – Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that, by signing the IAC, the Client has directed the custodian to pay the advisory fee as instructed by Arete or any other third-party manager on a scheduled basis without any additional prior notice to the Client. All Account assets, transactions, and advisory fees will be shown on the monthly or quarterly statements provided by the custodian. On at least a quarterly basis, the custodian is required to send to the Client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, but rather deducts fees as instructed by Arete or another third-party money manager, it is important for Clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of Client assets.

Non-Masterworks Clients may hire us to provide discretionary asset management services, in which case we place trades in a Client's account without contacting the Client prior to each trade to obtain the Client's permission. Our discretionary authority includes the ability to do the following without contacting the Client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change or amend such limitations by once again providing us with written instructions.

When performing Retirement Plan Services, custody of all Plan assets will be maintained with a third-party custodian selected by Sponsor, and Plan recordkeeping will be provided by a third-party record- keeper selected by Sponsor. We will not serve as a custodian of a retirement plan for which we provide advisory or investment management services.

Item 16 – Investment Discretion

For many Clients, Arete has been contractually given investment discretionary authority (i.e., authority to act without first obtaining specific Client consent to each investment transaction) to determine the securities to be bought or sold, and the amount of the securities to be bought or sold. This discretionary authority also allows Arete to determine a sub-advisor and/or third-party money manager to be used for Client account(s) through its money management platform.

Clients may impose reasonable restrictions on this authority, (i.e., no defense stocks, no tobacco, etc.). All such restrictions shall be documented in writing. Clients may modify the imposed restrictions by providing the change to Arete in writing. Arete reserves the right to refuse to open an account or to terminate an account if it believes, in Arete's sole opinion, that the restrictions placed are excessive and would limit its abilities to manage the account effectively and prudently. Clients should also understand that the imposition of portfolio restrictions may affect performance of the affected portfolio(s), either positively or negatively.

We may perform services to a retirement plan as a fiduciary under ERISA Section 3(38) and will act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. This discretionary authority is specifically granted to us by the Plan Sponsor, as specified in the applicable agreement.

Please see Item 4 of this Brochure for additional information regarding our advisory services generally, but specifically including our discretionary advisory services.

Item 17 – Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of Clients. Therefore, although we may provide investment advisory services relative to Client investment assets, Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets.

We may provide Clients with consulting assistance regarding proxy issues if they contact us with questions.

Item 18 – Financial Information

Under no circumstances do we require or solicit payment of fees in excess of $1,200 per Client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for Client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. We have no additional financial circumstances to report.

Arete has not been the subject of a bankruptcy petition at any time during the past ten years.